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SUBJECT: CODEL HYDE DISCUSSES FTAA, CORRUPTION SCANDAL WITH BRAZILIAN CONGRESSIONAL REPRESENTATIVES

**¶1.** Summary. Brazilian Congressional representatives told CODEL Hyde December 2 that they would like to see an increase in dialogue between the U.S. and Brazilian legislatures on important topics like the Free Trade Area of the Americas (FTAA). One representative said Brazil's recent corruption scandal had affected the GOB's economic policy and bore some of the blame for weak GDP numbers in the third quarter. Both American and Brazilian Congressional representatives agreed to increase dialogue on key issues. End Summary.

**¶2.** On December 2, CODEL Hyde met with Brazilian Congressional Representatives Vilmar Rocha (PFL) and Maria Jose Maninha (PSOL) in Brasilia, Federal District.

FTAA

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**¶3.** Representative Maria Jose Maninha told CODEL participants that the Brazilian Congress seeks an FTAA agreement that is symmetrical, serves Brazil's best interests, and reasonably addresses the agricultural sector's needs. She explained that the Brazilian Congress is working to develop within the lower house parameters for trade negotiations that would affect all major trade development initiatives, including the FTAA, Mercosul, and the WTO. Vilmar Rocha requested the establishment of a stronger exchange of information and an increase in dialogue between American and Brazilian Congressional representatives on the FTAA and other important issues, such as the environment and immigration.

Corruption Scandal

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**¶4.** Maninha believed that the current political crisis is the "most profound political crisis to date." The corruption scandal has "tainted Lula and his administration," weakened Brazil's political party structures, and affected the GOB's economic policy, she said. The recent decrease in Brazil's GDP during the third quarter of 2005 and overall slowing economic growth rate projections are evidence of the scandal's affect on the economy, she explained.

**¶5.** According to Rocha, substantive changes in GOB policy will likely not take place before the October 2006 local and national elections. Congress will develop a more substantive agenda after the results of next year's elections, Rocha stated.

Income Distribution and Other Social Issues

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**¶6.** Rocha noted that Brazil's high crime rate largely results from urban population increases due to rural relocation to urban areas. Brazilian security institutions are ill-equipped to address recent population increases and as a result, are unable to quell violence, Rocha explained. The representatives blamed high crime rates on the influx of rural poor to the cities and said strong economic growth was needed to address the problem. Maninha said she believes that the creation of social and economic policies to create economic growth and increase employment can alleviate Brazil's social problems. She added that the GOB's "Zero Fome" (Zero Hunger) program has provided assistance to ten million Brazilian families, and the GOB's Social Security program has provided monetary assistance to the elderly and the poor.

GOB/USG Congressional Relations

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**¶7.** Rocha explained to the delegation that up until recently, foreign affairs and other international issues were addressed solely by the Executive Branch of the Brazilian Ministry of External Relations. Interest in international affairs has increased among Brazilian Congressional representatives recently and the development of strong relations between American and Brazilian Congressional representatives is a priority. Chairman Hyde and Representative Watson agreed, and added that discussions between Brazilian and American Congressional representatives should occur more regularly.

PARTICIPANTS

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**¶8.** U.S.  
Rep. Henry Hyde  
Rep. Thomas Lantos  
Rep. Eni Faleomavaega  
Rep. Mel Watt

Rep. Diane Watson  
Rep. Luis Fortuno  
Assistant Administrator Adolfo Franco, USAID  
Embassy Charge Patrick Linehan

Brazil  
Representative Vilmar Rocha (PFL-GO)  
Representative Maria Jose Maninha (PSOL-DF)

19. This cable was not cleared by CODEL Hyde prior to transmission.

LINEHAN